

## Message Text

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ACTION NEA-11

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FM AMEMBASSY NEW DELHI  
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UNCLAS NEW DELHI 8487

E.O. 11652: N/A  
TAGS: ETRD, IN  
SUBJECT: FASTER RISING INDIAN IMPORTS RESULTED IN FOREIGN  
TRADE DEFICIT IN 1977-78

REF: NEW DELHI A-91

1. SUMMARY: GOI HAS ISSUED PRELIMINARY FIGURES FOR IMPORTS AND EXPORTS DURING INDIAN FY 1977-78, ENDING MARCH 31. ACCORDING TO THESE PROVISIONAL CALCULATIONS, EXPORTS TOTALED RS.52,527 MILLION (DOLS\$5,935 MILLION) AND IMPORTS RS.58,325 MILLION (DOLS 6,822 MILLION). RESULTANT TRADE DEFICIT WAS RS. 5,798 MILLION (DOLS 678 MILLION) WHICH IS LARGER THAN ESTIMATE CONTAINED IN REFAIRGRAM. (DOLS 1 EQUALS RS. 8.55).  
END SUMMARY.

2. PRELIMINARY TRADE FIGURES: ACCORDING TO PRELIMINARY TRADE FIGURES RELEASED MAY 26 BY GOI MINISTRY OF COMMERCE, INDIAN IMPORTS IN IFY 1977-78 WERE RES. 58,325 MILLION (DOLS\$6,822 MILLION), UP 14.9 PERCENT OVER THE FINALLY REVISED IMPORTS OF RS.50,740 MILLION IN 1976-77. PRELIMINARY INDIAN EXPORTS DURING 1977-78 WERE RS. 52,527 MILLION (DOLS 6,144 MILLION), UP 2.1 PERCENT OVER THE FINALLY REVISED RS.51,458 MILLION IN 1976-77. AS A RESULT INDIA HAD A TRADE DEFICIT OF RS.5,798 (DOLS 678 MILLION) COMPARED  
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TO THE MARGINAL TRADE SURPLUS OF RS.718 MILLION IN 1976-77. A SUBSTANTIAL PORTION OF THE INCREASE OVER EARLIER IMPORT FIGURES WAS DUE TO THE UPWARD ADJUSTMENT OF PETROLEUM PRODUCT IMPORTS DURING THE FIRST THREE QUARTERS.

3. THESE TRADE FIGURES WILL UNDERGO A SUCCESSION OF

REVISIONS ON THE BASIS OF RECEIPTS OF LATE AND SUPPLEMENTARY RETURNS (CUSTOMS INVOICES); FINALLY REVISED FIGURES WILL BE AVAILABLE ONLY 10-12 MONTHS FROM NOW. THE GOI EXPECTS FINALLY REVISED FIGURES FOR BOTH IMPORTS AND EXPORTS TO BE HIGHER: IMPORTS AROUND RS.60 BILLION, AND EXPORTS AROUND RS.54 BILLION. THIS EXPECTATION IS CONSISTENT WITH THE EXPERIENCE OF PREVIOUS YEARS. IN 1976-77 INDIAN IMPORTS AND EXPORTS WERE BOTH REVISED UPWARD BY ABOUT RS.1.6 BILLION. A COMPARISON OF THE 1977-78 PRELIMINARY TRADE FIGURES NOW AVAILABLE WITH THE CORRESPONDING PRELIMINARY FIGURES FOR 1976-77 REVEALS AN IMPORT RISE OF 18.8 PERCENT AND AN EXPORT RISE OF 5.5 PERCENT.

4. FACTORS RESPONSIBLE FOR EXPORT/IMPORT RISE: THE MORE RESTRICTIVE GOI EXPORT POLICY IS THE PRIMARY FACTOR RESPONSIBLE FOR THE SLOW GROWTH IN EXPORTS. THE GOI DELIBERATELY LIMITED THE EXPORT OF GOODS IN SHORT SUPPLY IN THE DOMESTIC MARKET. THE 1977-78 EXPORTS OF OILSEEDS, VEGETABLE OILS, PEANUT EXTRACTATIONS, SUGAR, FRESH VEGETABLES INCLUDING ONIONS AND POTATOES, RICE, PULSES AND CEMENT WERE AROUND RS.1,600 MILLION COMPARED TO RS.5,000 MILLION IN THE PREVIOUS YEAR. SECONDLY, THE GOI ESTIMATES A SHORTFALL OF ABOUT RS.450-500 MILLION IN THE EXPORTS OF COTTON TEXTILES AND LEATHER AND LEATHER MANUFACTURES BECAUSE OF RECESSIONARY TRENDS IN THE WORLD ECONOMY AND THE TREND OF PROTECTIONISM IN DEVELOPED UNCLASSIFIED

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COUNTRIES. FOR THE SAME REASONS--AND PARTIALLY BECAUSE OF PICK UP IN DOMESTIC DEMAND -- STEEL EXPORTS ARE CONSIDERED TO HAVE BEEN CUT RS.1 BILLION.

5. THE EXCHANGE RATE FLUCTUATIONS OF THE INDIAN RUPEE, ESPECIALLY IN RELATION TO DOLLAR AREA COUNTRIES, WAS ANOTHER FACTOR WHICH THE GOI BELIEVES CONTRIBUTED TO SLOW EXPORT GROWTH. ONE U.S. DOLLAR AVERAGED (ON THE BASIS OF THE RATES PUBLISHED IN THE IMF'S INTERNATIONAL FINANCIAL STATISTICS) RS.8.55 IN 1977-78 COMPARED TO RS.8.94 IN 1976-77.

6. THE EXPORT ITEMS THAT CONTRIBUTED TO THE 1977-78 EXPORT RISE INCLUDED TEA, GEMS AND JEWELRY COFFEE, SPICES, ENGINEERING GOODS AND CHEMICALS AND ALLIED PRODUCTS.

7. MAJOR ITEMS CONTRIBUTING TO THE 1977-78 IMPORT RISE INCLUDE EDIBLE OILS, POL, MACHINERY AND EQUIPMENT. BLOOD

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